

William O. Lipinski
3rd District, Illinois

COMMITTEE ON
TRANSPORTATION AND INFRASTRUCTURE
RANKING DEMOCRATIC MEMBER,
SUBCOMMITTEE ON HIGHWAYS AND TRANSIT
SUBCOMMITTEE ON AVIATION
SUBCOMMITTEE ON RAILROADS

Congress of the United States

House of Representatives

Washington, DC 20525

September 17, 2003

OFFICES
2188 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515-1303
(202) 225-5701
5832 SOUTH ARCHER AVENUE
CHICAGO, IL 60638
(312) 886-0481
5239 W 95TH STREET
OAK LAWN, IL 60453
(708) 952-0860
19 W HILLGROVE
LA GRANGE, IL 60525
(708) 352-0524

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FEDERAL MARITIME COMMISSION

Bryant L. VanBrakle
Secretary
Federal Maritime Commission
800 North Capitol Street, NW
Washington, DC 20573

RE: Petition P3-03

Dear Commissioners:

I understand that UPS has filed for an exemption from the prohibition on Non-Vessel Operating Common Carriers (NVOCCs) from entering into confidential contracts with their customers. Due to the operational characteristics of UPS and recent developments within the ocean shipping marketplace, the antiquated regulatory scheme governing NVOCCs should be revised. I am writing to express my strong support of the UPS petition currently pending before the FMC.

During consideration of the *Ocean Shipping Reform Act* (OSRA) revisions of 1998, Congress carefully considered all aspects of the ocean shipping industry including the role of NVOCCs. Based on the nature of ocean shipping at the time, Congress determined that NVOCCs should be regulated differently than vessel operators. In the late 1990s, most NVOCCs were small enterprises that neither owned ocean vessels nor the cargo being shipped. In order to protect shippers and to guarantee liability coverage, Congress determined that NVOCCs should operate under a published tariff system when dealing with their customers.

However, the state of the U.S ocean-shipping industry has significantly changed since the passage of OSRA. There has been unprecedented consolidation among ocean carriers resulting in the loss of major U.S. flagged carriers. In an effort to offer customers a full range of services, these same carriers have created vertically integrated logistics companies that now compete with NVOCCs.

UPS operates the most sophisticated, integrated, intermodal transportation network in the world, which includes air, rail and surface and NVOCC transportation, and is deemed a "carrier" in the surface and air freight industries. Furthermore, UPS makes significant annual capital investment in its asset-based transportation infrastructure. These facts alone set UPS apart from the companies that initially raised concerns about the regulatory status of NVOCCs.

The UPS petition, citing the recent evolution of the ocean shipping marketplace, is precisely the reason Congress granted such broad exemption authority to the FMC. While anticipating dramatic changes in the ocean shipping industry with the passage of OSRA, Congress did not contemplate how fast or smoothly the market could adapt to these changes. By granting this petition, the FMC would acknowledge these changes, level the playing field between NVOCCs and vessel operators, and ultimately benefit ocean-shipping consumers around the world.

I am hopeful the FMC will give the UPS petition its utmost consideration and render an equitable decision based upon the merits of the UPS case.

Sincerely,

WILLIAM O. LIPINSKI, M.C.